

# NEFTE COMPASS®

Vol. 29, No. 30

www.energyintel.com

July 30, 2020

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## Spimex Again Delays Mechanism to Boost Gas Liquidity

The St. Petersburg International Mercantile Exchange (Spimex) has once again delayed a long-planned balancing mechanism for the natural gas pipeline grid that organizers have said would boost market liquidity.

The plan was to launch the mechanism on Jul. 27, prior to which Spimex held a series of webinars for market participants, but the launch didn't take place.

"A joint decision was made by all parties involved to postpone the start until a later date, taking into account the need for additional work on some issues," a Spimex spokesman told Energy Intelligence, adding the new start date would be disclosed later.

The delay reflects Spimex's struggle to boost gas market liquidity and create a proper gas price indicator that would in turn facilitate the long-discussed liberalization of domestic gas prices. In the first half of this year, only 7.8 Bcm was sold on the exchange. This was an 11% increase from the first half of 2019 but 28% lower than in 2017.

Spimex earlier this year enabled buyers to resell purchased gas on the exchange, and with the planned balancing mechanism the same buyers would be able to adjust their portfolios by reselling unused gas. Spimex estimates the volume of ordered but unused gas at 30 Bcm-40 Bcm/yr, meaning that a resale of those volumes would significantly increase liquidity (NC Mar.26'20).

Buyers now can order any volume of gas from suppliers and do not incur a penalty if they fail to offtake all the ordered gas from the pipeline. With the new balancing system, the buyers will be forced to sell the unused gas to an authorized entity at a discount if they fail to resell on the exchange.

Meanwhile, Spimex has said it would renew efforts to promote Russia's Urals export blend as a new benchmark and capture a meaningful chunk of trading in the medium, sour grade. Spimex chief Alexei Rybnikov told a press briefing recently that the exchange sees a new opportunity to persuade industry players that they need to embrace all the advantages that digital exchange-based trading offers.

In 2016 the exchange launched a futures contract for Urals crude with physical settlement in an attempt to secure benchmark status for the grade, but it ultimately failed to gain sufficient support among domestic and international traders.

It has recently tested a new scheme of two-phase auctions for Urals exports, sending out invitations to Russian companies and international trading firms.

Opec-plus production cuts have recently led to reduced availability of medium, sour crude around the world, boosting demand for Urals. Spimex is hoping the new spotlight on Urals will encourage Russian companies to embrace exchange trading (NC Apr.30'20).